

EDUSPEC HOLDINGS BERHAD

Company No. 646756-X

(Incorporated in Malaysia)

Report on results for 4th quarter ended 30 September 2016

NOTES

A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: "Interim Financial Reporting" and Rule 9.22 (2) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the ACE Market.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the period ended 30 September 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the period ended 30 September 2015.

The significant accounting policies and methods of computation adopted in these interim financial statements are consistent with those of the audited financial statements for the period ended 30 September 2015.

A2 Auditors' report of preceding annual financial statements

The auditors' report on the financial statements for the financial period ended 30 September 2015 was not subject to any qualification.

A3 Seasonal or cyclical factors

The major significant business contributions are from the Malaysia Information Technology (IT) learning market. As the renewal/award of contracts typically corresponds to the Malaysian academic year, the business is not subject to any other material seasonal and cyclical factors.

The renewal/award of contracts for the Indonesia education market typically corresponds to the Indonesia academic year. Save for this and as mentioned above, the Group's business is not subject to any other material seasonal and/or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Company since the last annual audited financial statements.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior financial years which may have a material effect in the current financial quarter.

A6 Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

On 11 July 2016, 1,320,900 new ordinary shares of RM0.10 each were issued for the Employee Share Option Scheme.

A7 Dividend paid

There were no dividends paid during the current financial quarter.

A8 Segment Reporting

The principal businesses of the Group are the development and provision of IT learning products and services, which are substantially within a single business segment, and therefore business segment reporting is deemed not necessary.

Segmental revenue and results in geographical areas of the Group for the current year to date are as follows : -

CURRENT YEAR TO DATE 30 SEPTEMBER 2016			
	Results	Profit/ (Loss)	
	Revenue and other income	before tax for the year	Net Profit/ (Loss) for the year
	RM('000)	RM('000)	Less: Taxation RM('000)
Malaysia	39,062	975	(484)
Singapore	15,252	4,862	(1,615)
Indonesia	27,143	1,351	(405)
	81,457	7,188	(2,504)

A9 Valuation of property, plant and equipment

There are no changes in the valuation of the property, plant and equipment reported in the previous audited financial statements that will have effect in the current financial quarter under review.

A10 Material events subsequent to the end of the quarter

There are no material events subsequent to the end of the quarter.

A11 Changes in the composition of the Group

There are no changes in the composition of the Group for the current financial quarter save for the following: -

Centillion Robotics Limited, a wholly owned sub-subsidiary of the Company had on 19 July 2016 completed the acquisition of the remaining 50% equity interest in Centillion Robotics (M) Sdn Bhd for a total consideration of RM1.00. Subsequent to the acquisition, Centillion Robotics (M) Sdn Bhd become a wholly owned subsidiary of Centillion Robotics Limited which in turn, a sub-subsidiary of the Company.

Eduspec Pte Ltd, a wholly owned subsidiary of the Company had on 27 September 2016 entered into a Joint Venture Agreement and incorporated a company in Thailand, namely Eduspec (Thailand) Co., Ltd.

A12 Contingent liabilities

There are no material contingent liabilities as at the date of this announcement.

A13 Capital commitments

There are no capital commitments as at the date of this announcement.

A14 Significant related party transactions

There are no significant related party transactions as at the date of this announcement.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE ACE MARKET

B1 Review of performance

Revenue of the EHB Group mainly consists of fees from the provision of IT literacy courses, complementary business activities and sale of related products. The following are the comparison between revenue for the quarter and the corresponding quarter of the preceding year: -

	Individual Quarter		Increase/ decrease
	Current Year	Preceding Year Corresponding Quarter	
<u>Revenue comparison</u>	RM'000	RM'000	RM'000
Complementary business activities	727	1,532	(805)
Sale of goods	18,252	19,648	(1,396)
Fees from IT literacy courses	6,657	6,394	263
	25,636	27,574	(1,938)

For the current quarter under review, the Group's revenue decreased by 7.0% to RM25.636 million from RM27.574 million reported in the previous year's corresponding quarter. Based on the comparison above, the income from complementary business activities decreased by 52.5% to RM0.727 million from RM1.532 million reported in the previous year's corresponding quarter. The decreased in net revenue from complementary business activities was due to the decreased in enrollment for Grade Exam for IT Learning Literacy course and IT Learning intensive courses. Nevertheless, the reduce in Grade Exam enrollment is due to the initial year adoption of STEM CS program in replacement for the existing IT Learning Literacy courses for some schools. As such, the certification fees from this group of students enrolled in the STEM CS will only be materialized in the next calendar year.

The income from sale of goods decreased by 7.1% to RM18.252 million from RM19.648 million reported in the previous year's corresponding quarter. The income from the sale of goods for Malaysia has decreased as fees are collected instead of outright purchase arrangements. Whereas sale of goods decreased in Indonesia and Singapore are mainly due to the sales decreased from education projects in Indonesia.

The fees from IT literacy courses increased by 4.1% to RM6.657 million from RM6.394 million reported in the previous year's corresponding quarter due mainly to the additional number of student enrollment in the IT literacy courses and additional number of schools running digital school. As we are progressively migrating from IT Literacy courses to STEM CS, we can expect further increases in this category of income.

The other income decreased by 29.5% to RM6.151 million from RM8.723 million reported in the previous year's corresponding quarter due mainly to the declined in realized/ unrealized foreign exchange gain on receivables, timing difference in recognizing of the supporting fees income and the absence of implementation income from Literatu project in the current quarter.

Administrative expenses of the group consist of human resource cost inclusive of employee share option, occupancy cost, travelling expenses, professional services fees, finance charges and general administrative expenses. The administrative expenses of current quarter have decreased due to the capitalization of human resource cost pertaining to the development of STEM curriculum despite the increase in the cost of employee share option (current quarter of RM0.244 million/ YTD RM2.198 million).

Selling and distribution expenses of the group consist of expenses incurred for marketing events, promotional activities, transportation, entertainment expenses and provision of impairment on trade receivables. Selling and distribution expenses of current quarter have decreased due to the reduction in impairment on trade receivables.

Other expenses of the group consist of depreciation/ amortization of development costs and foreign exchange losses. Other

expenses of current quarter have increased due to the increase in depreciation/ amortization of development costs.

Finance cost of the group consists of interest on term loan and trade facilities utilized in the current quarter. Finance costs of current quarter have increased due to the addition in utilization of term loan and trade facilities for the business.

B2 Variation of results against preceding quarter

The result of the quarter is slightly better compared to immediate preceding quarter due to capitalization of human resource cost for projects develop in the quarter and previous quarter. The other income for the quarter has also improved compare to immediate preceding quarter. The profit after taxation for the quarter is RM2.941 million compared to profit after taxation of RM1.743 million reported in the previous quarter.

B3 Prospects

The group has extended its presence to Thailand this year. With its presence in Indonesia, Vietnam, Philippines and Thailand, it also intends to continue to grow its products and services in these markets. The Group expects to achieve higher revenue contribution from such overseas ventures.

The Group also intends to continue to invest in its R&D to improve on its existing products and services, and to also add more products and services to schools in the region.

The Group notes that the governments of several developed countries have transformed their education policy for K-12 segment (Kindergarten to year-12 of school education), encouraging private sectors to be more involved in the public school education. The Group identifies this to be an opportunity and will continue to explore further on this matter.

The education sector remains competitive. The Board will however, continue with its effort to improve the performance of the Group.

B4 Profit forecast, profit guarantee and internal targets

There is no profit forecast, profit guarantee or internal targets made public for the financial quarter ended 30 September 2016.

B5 Taxation

DES Sdn Bhd, a wholly owned subsidiary of EHB, application for MSC Malaysia Status was approved on 9 November 2016.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Quarter
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM'000	RM'000	RM'000	RM'000
Taxation	(2,328)	(641)	(2,504)	(751)

B6 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement save for the following: -

On 2 November 2016, the Company has fixed the issue price of the third tranche of the Placement Shares at RM0.21 per Placement Share to be issued pursuant to the Private Placement. The aforementioned issue price of RM0.21 per Placement Share represents a premium of approximately RM0.009 or 4.48% from the five (5)-day weighted average market price of Eduspec from 26 October 2016 to 1 November 2016 of approximately RM0.2010 per share.

On 11 November 2016, 7,380,000 new ordinary shares of RM0.10 each were issued following the completion of Private Placement.

B7 Utilisation of proceeds

(a)

Proposed utilisation	Expected time frame for utilisation from date of listing of Rights Shares and Warrants	Proceeds raised (RM'000)	Unutilised proceeds channelled to working capital (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Expansion of existing business	Within 36 months	12,966	(3,860)	9,106	-
Future business expansion	Within 36 months	4,792	874	5,666	-
R & D	Within 24 months	6,552	(2,013)	4,539	-
Working Capital of the Group	Within 36 months	11,907	5,216	17,123	-
Estimated expenses for the Proposals	Within 3 months	800	(217)	583	-
		37,017	-	37,017	-

(b)

Proposed utilisation	Expected time frame for utilisation from date of listing of Private Placement	Proceeds raised (RM'000)	Unutilised proceeds channelled to working capital (RM'000)	Utilisation (RM'000)	Balance (RM'000)
Acquisition of Property	Within 12 months	2,692	-	2,692	-
Future business expansion	Within 36 months	4,000	-	-	4,000
R & D	Within 24 months	3,000	(188)	2,812	-
Working Capital of the Group	Within 36 months	14,125	188	14,313	-
Estimated expenses for the Proposals	Within 3 months	700	-	700	-
		24,517	-	20,517	4,000

(c)

Proposed utilisation	Expected time frame for utilisation from date of listing of Private Placement	Proceeds raised (RM'000)	Unutilised proceeds channelled to working capital (RM'000)	Utilisation (RM'000)	Balance (RM'000)
STEM Robotics & STEM CS	Within 24 months	7,000	(2,641)	4,359	-
Future business expansion	Within 12 months	1,000	-	-	1,000
Acquisition of system	Within 12 months	2,000	-	-	2,000
Working Capital of the Group	Within 12 months	6,225	2,655	8,755	125
Estimated expenses for the Proposals	Within 3 months	110	(14)	96	-
		16,335	-	13,210	3,125

B8 Borrowings and debt securities

	30/9/2016 RM('000) Unaudited	30/9/2015 RM('000) Audited
<u>Borrowings: -</u>		
Short-term borrowing	2,115	3,820
Bank overdraft	3,098	1,297
Long-term borrowing	23,016	13,346

B9 Material litigations

There are no material litigations pending at the date of this announcement.

B10 Dividends

No dividends have been declared in respect of the financial quarter under review and the year-to-date.

B11 Additional information for statement of comprehensive income

	CURRENT QUARTER	YEAR TO DATE
	RM'000	RM'000
Interest income	135	231
Other income including investment income	6,151	9,127
Interest expense	448	1,299
Depreciation and amortization	1,504	5,203
Provision for and write off of receivables	91	373
Provision for and write off of inventories	3	5
Gain or loss on disposal of quoted or unquoted investments or properties	Not applicable	Not applicable
Impairment of assets	0	71
Foreign exchange gain or (loss)	1,625	1,368
Gain or loss on derivatives	NIL	NIL
Exceptional items (with details)	NIL	NIL

B12 Earnings per share

		Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year To Date
		30/9/2016	30/9/2015	30/9/2016	30/9/2015
(i)	Basic earnings per share (sen)				
	Net profit/ (loss) for the financial quarter (RM'000)	2,398	8,541	4,257	9,790
	Weighted average number of ordinary shares in issue ('000)	866,930	807,662	866,930	807,662
	Basic earnings per share (sen)	0.28	1.06	0.49	1.21
(ii)	Diluted earnings per share	N/A	N/A	N/A	N/A

- (i) Basic earnings per share is calculated by dividing the net profit/ loss (Profit/ Loss after taxation and minority interest) for the financial period by the weighted average number of ordinary shares in issue.
- (ii) The Group has no potential equity instruments in issue as at the reporting date and therefore, diluted earnings per share has not been presented.

By Order of the Board

Lim Een Hong
Executive Director
Shah Alam
Date: 30 September 2016